

Message Text

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17

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-11 INR-10 LAB-06

NSAE-00 RSC-01 SIL-01 DOTE-00 AID-20 FRB-02 TRSE-00

XMB-07 OPIC-12 SP-03 CIEP-02 OMB-01 NSC-07 SS-20

STR-08 CEA-02 DRC-01 /129 W
----- 096912

R 120810Z JUL 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 3632

INFO AMCONSUL BRISBANE

AMCONSUL MELBOURNE

AMCONSUL PERTH

AMCONSUL SYDNEY

UNCLAS CANBERRA 4426

EO 11652: NA.

TAGS: EIND, ETRD, AS.

SUBJ: INDUSTRIES ASSISTANCE COMMISSION

RECOMMENDATIONS FOR RESTRUCTURING AUSTRALIAN AUTOMOBILE
INDUSTRY.

REF: A. CANBERRA 4792, 8/30/73.

B. CANBERRA 4845, 8/31/73.

1. SUMMARY: SUBJECT REPORT, TABLED JULY 11, CALLS
FOR TERMINATION PRESENT COMPLEX LOCAL CONTENT TARIFF
SCHEME AND REPLACEMENT BY SIMPLE TARIFF, EVENTUALLY AT
LOWER RATES, TOACHIEVE ECONOMIES OF SCALE, MORE
COMPETITIVE INDUSTRY AND LOWER TRANSPORT COST. END SUMMARY.

2. REPORT TABLED IN PARLIAMENT JULY 11. LENGTHY TEXT
NOT AVAILABLE FOR SEVERAL DAYS. THIS TELEGRAM BASED
UPON OFFICIAL SUMMARY ISSUED BY COMMISSION.

3. RECOMMENDATIONS - REPORT RECOMMENDS TERMINATION
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PRESENT GOA LOCAL CONTENT TARIFF SCHEME FOR AUTOMOBILES,

TO BE REPLACED BY SIMPLE TARIFF APPLYING BOTH TO IMPORTS AND COMPONENTS. COMMISSION WOULD RAISE PRESENT TARIFFS TEMPORARILY TO 35 PCT. (CURRENTLY 26 1/4 TO 33 3/4 PCT.) TO EASE TRANSITION AND REDUCE IN TWO STAGES TO LONG-TERM 25 PCT. TARIFF RATE AFTER 1981.

4. OBJECTIVES - TO REDUCE NUMBER OF MANUFACTURERS AND MODELS, THEREBY REALIZING ECONOMIES OF SCALE, ELIMINATING HIDDEN PUBLIC SUBSIDIES THROUGH TARIFF CONCESSIONS ON IMPORTED COMPONENTS UNDER PRESENT LOCAL CONTENT SCHEME AND YIELD MORE CONCENTRATED, LOWER COST AND COMPETITIVE MANUFACTURING INDUSTRY WITH CONSEQUENCE BENEFITS TO CONSUMERS AND OVERALL TRANSPORT COSTS IN AUSTRALIAN ECONOMY.

5. EXPECTED RESULTS - COMMISSION VISUALIZES RESULT OF ITS RECOMMENDATION WOULD REDUCE INDUSTRY FROM FOUR TO THREE LOCAL MANUFACTURERS, AND REDUCE PRESENT LARGE NUMBER OF HIGH COST AUSTRALIAN COMPONENT MANUFACTURERS. REMAINING THREE MANUFACTURERS (PRESUBABLY GM HOLDEN, FORD AND CHRYSLER) WOULD BE CONCENTRATED IN MEDIUM-SIZE PASSENGER CARS BUT LARGER PART OF LATTER IMPORTED, PROBABLY FROM JAPAN. COMMISSION ESTIMATES THAT PORTIONS OF INDUSTRY WHICH WOULD DISAPPEAR IN RESTRUCTURING REPRESENTS 15,000 JOBS AND THAT 13,000 NEW JOBS WOULD BE CREATED BY GROWTH IN REMAINING INDUSTRY. IN THIS CONNECTION, LABOUR MINISTER CAMERON HAS INDEPENDENTLY STATED THAT GOA WOULD HAVE NO DIFFICULTY UNDER CONTEMPLATED RETRAINING PROGRAMS IN DEALING WITH NET LOSS OF 2,000 JOBS.

6. OTHER RECOMMENDATIONS - SPECIAL INTEREST ATTACHES TO COMMISSIONS OBSERVATIONS ON QUESTION OF INCREASED AUSTRALIAN PARTICIPATION AND OWNERSHIP OF AUTOMOBILE INDUSTRY. REPORT NOTES SUBSTANTIAL CURRENT AUSTRALIAN MANAGEMENT PARTICIPATION, BUT THAT PRESENT INDUSTRY OVERWHELMINGLY FOREIGN OWNED. IT STATES IT IS QUESTIONABLE WHETHER INCREASED OWNERSHIP IS BEST MEANS OF OBTAINING CONTROL, OR WHETHER LOCALLY OWNED FIRM NECESSARILY MORE LIKELY TO ACT IN LOCAL INTEREST THAN UNCLASSIFIED

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MULTINATIONAL FIRM. AFTER POINTING OUT HIGH COST OF INCREASED OWNERSHIP AND DOUBTFUL WISDOM OF ESTABLISHING A NEW FIRM WITH LOCAL CAPITAL, REPORT STATES QTE GOVERNMENT POLICY CAN ENSURE THAT THE FIRMS IN THE INCUSTRY ADOPT POLICIES WHICH CONFIRM WITH BROAD ECONOMIC AND SOCIAL OBJECTIVES OF THE GOVERNMENT AT A LOWER COST BY LEGISLATION IN AREAS SUCH AS TAXATION, ENVIRONMENTAL AND SAFETY STANDARDS, AND RESTRICTIVE

TRADE PRACTICES. SUCH LEGISLATION SHOULD, AND IN SOME CASES ALREADY DOES, SET STANDARDS WITH REGARD TO THE CONDUCT OF NOT ONLY THE MULTI-NATIONAL FIRMS BUT OF ALL FIRMS WITHIN THE INDUSTRY. END QTE.

7. REACTIONS - WHILE RECOMMENDATIONS OF REPORT HAVE HAD WIDE PRESS PUBLICITY, THERE HAS NOT BEEN TIME FOR PUBLIC REACTION WHILE INDUSTRY IS WITHHOLDING COMMENT PENDING STUDY OF FULL TEXT WHEN AVAILABLE. GIVEN THE UPSURGE OF VOCAL ANTI-IMPORT SENTIMENT DURING PAST TWO WEEKS IN AUSTRALIAN INDUSTRAIAL AND LABOR CIRCLES, THE GENERALLY ANTI-PROTECTION TONE OF COMMISSION'S REPORT SEEMS LIKELY TO BRING AT LEAST INITIAL STRONG OPPOSITION FROM MARGINAL MANUFACTURERS AND ASSEMBLIERS, AS WELL AS FROM MANY LOCAL COMPONENT MANUFACTURERS AND AFFECTED LABOR CIRCLES.

8. EMBASSY WILL REPORT WHEN IT HAS DETAILED TEXT OF REPORT AVAILABLE.
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